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FM AMEMBASSY PARIS
TO RUEHC/SECSTATE WASHDC 1023
INFO RUEATRS/DEPARTMENT OF TREASURY WASHDC

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STATE FOR EUR/WE (TSMITH) AND EEB/ESC/TFS (SCOUTER)
STATE ALSO FOR ISN AND NEA

E.O. 12958: DECL: 11/06/2017
TAGS: [EFIN](#) [PREL](#) [KNNP](#) [PARM](#) [ETTC](#) [IR](#) [FR](#)
SUBJECT: INFORMATION REQUEST: IDENTIFYING TOOLS FOR
POSSIBLE USE AGAINST IRANIAN FINANCIAL INSTITUTIONS

REF: SECSTATE 149523

Classified By: ECON MINCOUNS SETH WINNICK FOR REASONS 1.4 B AND D

(S/NF) In response to reftel, Embassy submits the following information regarding possible tools for use against Iranian financial institutions.

-- As regards licensing, the Committee of Credit Establishments and Investment Companies issues licenses to credit institutions but only the Banking Commission (Commission bancaire) can revoke licenses for legal or disciplinary reasons. Both bodies are chaired by the governor of the French central bank, with the latter composed almost entirely of government officials. In addition to monitoring respect for technical requirements, such as professional standards and prudential rules, the Banking Commission also charged with assuring that rules relating to combating money laundering and terrorism finance are also respected. The GOF is preparing legislation that makes proliferation and proliferation finance a separate crime. It is scheduled to be presented to Parliament in November and take effect in the first half of 2008. Asset freezing generally is the national application of EU and UN sanctions.

-- Revocation of a license is the most severe disciplinary sanction possible, in a menu of Banking Commission measures against infringements of legal or regulatory rules (Article L.613-21, Monetary and Financial Code). It is not clear what the legal threshold is for its application, as the Commission appears to have far-reaching discretion in the matter. On the other hand, French authorities have moved swiftly to shut down operations of entities subject to sanctions pursuant to UNSC and/or EU/CFSP common position (since ratification of the Amsterdam Treaty).

-- Other than revoking operating licenses, are there other host government legal mechanisms which could be used to cut off Iran-related financial transactions? For example, can the host government monitor or prevent Iranian banks from engaging directly or indirectly in transactions denominated in the host nation currency?

-- Under existing money-laundering legislation, banks and other financial institutions can be obliged to report all transactions (regardless of size) with certain classes of entities to the financial intelligence unit (French acronym: TRACFIN), including any time the principal or beneficiary of a transaction is unknown. In addition, the government can issue a decree imposing such reporting on transactions carried out by or for natural or legal persons, including their subsidiaries or establishments, that are domiciled,

registered, or established in any country included on the Financial Action Task Force list of Non-cooperative Countries or Territories (NCCT).

--Given that the French have been pretty forward-leaning in wanting to discuss how best to put pressure on Iran to stop its enrichment program, it would definitely be counter-productive not to have consultations before making requests for specific administrative or legal actions. Please visit Paris' Classified Website at:
<http://www.state.sgov.gov/p/eur/paris/index.cfm>

PEKALA